

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012  
WITH  
REPORT OF INDEPENDENT AUDITORS**

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## REPORT OF INDEPENDENT AUDITORS

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Corbin Independent School District  
Corbin, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corbin Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 30, 2012, on our consideration of Corbin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corbin Independent School District's financial statements as a whole. The introductory section and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

***CLOYD & ASSOCIATES, PSC***

Cloyd & Associates, PSC  
Corbin, Kentucky  
September 30, 2012

## CORBIN INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2012

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The management of the Corbin Independent School District (District) offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2012. We encourage readers to review the information presented here in conjunction with additional information found within the body of the audit.

### SUPERINTENDENT'S REVIEW FOR 2011-2012 SCHOOL YEAR

**State KCCT Test Score Results** — 2011-2012 was the last year of the **Kentucky Core Content Test (KCCT)**. Kentucky will be transitioning to the new **K-PREP** assessment beginning in 2012-13. The following are the highlights from test scores:

- ✎ Corbin Independent scored very high with a ranking at 3<sup>rd</sup> highest among all K-12 Kentucky school districts.
- ✎ Corbin Middle School finished as the highest scoring 7th/8th grade middle school in the state as well.
- ✎ Corbin had 87.4% of the students scoring at or above proficiency in reading and 78.8% score at or above proficiency in mathematics.
- ✎ Of the 23 areas assessed on the KCCT, Corbin scored above the state average on all 23 tests and improved their own score from the prior year on 17 of 23 areas.
- ✎ EXPLORE and PLAN scores also improved from the prior school year and came in well above the state average.
- ✎ Corbin High school ACT scores also improved (state mandate to test all juniors), from an average composite score of 20.1 in 2011 to a score of 20.3 in 2012.
- ✎ Corbin also scored significantly above the state in all four core areas of college/career readiness.

**K-PREP** — Corbin Independent did very well on the *Next-Generation Learners* portion of K-PREP, which deals primarily with student achievement and graduation rate. Corbin's AFGR (Average Freshman Graduation Rate) for 2012, used to calculate part of the overall K-PREP accountability, was 92%, which ranked in the top 10 school districts in the state. *Next Generation Professionals* deals with teacher/principal evaluations and is not yet in place; however Corbin is one of 50 schools statewide participating in a field test for the teacher portion of this program. *Next Generation Support Systems* (Program Reviews) and *Next Generation Schools/Districts* (Revised Report Card and New Accountability System) is not yet fully implemented statewide. These areas will be implemented over the next 2-3 years.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2012

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**Math Focus** —Corbin Independent continues to focus on improved student achievement in mathematics:

- ❖ A partnership with Eastern Kentucky University is in place which lends support in the area of data collection, recording, instruction, and strategies.
- ❖ Support for the district math focus is enhanced by the purchase and implementation of **ALEKS** (online math program for students in exploration and remediation) and DreamBox (online math support system for Grades K-2).
- ❖ The high school math transitions program continues to grow with classes being offered to high school students to improve ACT scores and college readiness.
- ❖ The district continues its commitment to **Carnegie Math** and has implemented this program in grades 6-8.
- ❖ Grades K-5 have adopted and the district purchased **Envision Math** which will, for the first time, provide for a consistent mathematics program for these grade levels. Grades K-12 will utilize only two different math programs district wide.

**ACT/PLAN/EXPLORE** — Corbin schools continue to improve in the area of the **EPAS** system (**EXPLORE, PLAN, ACT**), each area showed improvement in 2011-2012 school year. All scores on these tests were above the state average and college readiness percentages are also above this benchmark. College readiness standards continue to be a focus in our middle and high schools as Corbin Independent strives to reach the goal set by the state. Corbin High School reached a composite average over "20" for the second time since all juniors began taking the assessment and has set a Goal of 21+ for 2012-2013.

**Teacher Evaluation Pilot** — The District is participating in the state teacher evaluation pilot. We have designated 10 teachers to participate in this program and they participated in three-day training during the summer. Principals are scheduled for a 2-day seminar in late August as well. The teacher evaluation program will be a part of the overall assessment program for the state in two years.

**EKU Fellows Program** — The District continues its partnership with Eastern Kentucky University and the **Professional Fellows Program** for the 5th consecutive year. EKU faculty will work with Corbin staff in the areas of Mathematics and English. This work will include math automaticity awareness and high school to college transitions in math and English. The transition programs are designed to remediate students before they enroll in college and have to participate in non-credit bearing classes.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2012

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**New Teacher Induction Program** — Corbin Independent offers a comprehensive program that parallels the state's **KTIP** process with an in-district program for mentoring new teachers. This program familiarizes new employees with district protocols, initiatives, and ongoing training. Principals are utilized as instructors in their individual areas of expertise. Teachers are required to attend one full day in the summer and six hour and a half sessions throughout the year. Principals have the option of sending veteran teachers to specific sessions if there is a need.

**District Master Schedules** — Each school in the Corbin District manages and designs their Master Schedule to optimize student learning. The high school utilizes a trimester approach with students having opportunities for many different opportunities in both elective and core classes. The high school administration is beginning to look at developing career clusters and potentially offering students a choice of up to eight different pathways. Grades 5-8 offer students a true teaming approach while focusing on building in time for **RTI** (Response to Intervention) and Gifted/Talented opportunities. Grades 3-4 align students in performance based groups in Math and Reading and Corbin Primary (K-2) offers a true primary program.

**Energy Management** — Corbin was a partner with Whitley County Public Schools in year two of an energy grant received from the state. An energy manager served until January, resigned and was not replaced. The focus of the program was to implement curriculum, energy audits, and oversee energy expenditures.

**Library Grant** — The Corbin school district was one of two school districts in Kentucky to receive the very competitive Improving **Literacy Through School Libraries** grant. This is federal funding that provided more than 5,163 new titles to the school media centers, over fifty electronic reading devices, electronic checkout systems through the **Follett Destiny** program, and professional development toward implementing and meeting the new **Kentucky Common Core Standards**.

**Grants** — The district is very busy in pursuing educational grants of all kinds. Green energy, professional development, 21<sup>st</sup> Century, and library grants are among several that have been acquired this year.

**KAPPA** — An online school will serve as an educational platform in the district to provide students with e-learning services. Classes can be accessed throughout the year and used as both remediation and enrichment. Students outside the district may utilize the curriculum as a fees based service.

**Corbin High School Addition and Renovation Project** — Corbin High School has been involved in an addition and renovation project since 2009 that has changed the appearance and operation of the school. New classrooms for math, science, band and choir and new entrances and administration area highlight the completed addition. The expanded parking areas, when completed, will enhance traffic flow and safety.



## CORBIN INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2012

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During the building process it was discovered that a substantial portion of the outside walls of the original building were a structure hazard and had to be replaced. The Corbin Board recently approved Phase 2 Renovation for the total original building and included new walls, windows, HVAC, flooring, and lighting. This work continued throughout the 2011-2012 year, with completion to be achieved for 2012-2013 school year.

The design and funding for expanding the cafeteria is in progress and planned to be completed during the next school year.

**21<sup>st</sup> Century** -- The afterschool programs of Corbin Independent Schools reflect the pride and tradition existing throughout the District's initiatives. At the close of the 2010-2011 school year, our **21<sup>st</sup> Century Community Learning Center** activities ranked 1<sup>st</sup> in Kentucky among student attendees with 905 students in grades K-12 participating in the program.

**Redhound Enrichment** (K-6) continues to set the pace at a national level through continued partnership as an exemplary program for the National Summer Learning Association and the National Afterschool Alliance. Leadership serves as consultants to several start-up programs across the state and the director is currently the Co-Chair of the Kentucky 21<sup>st</sup> Century Community Learning Centers Advisory Council and a National Afterschool Ambassador.

**Theater** — Theater programs are flourishing and continue to entertain thousands of students and community members each year. The theater program utilizes students from grades 6-12 and is an integral part of the Arts/Humanities program review.

**Treasures Reading Program** — Corbin Elementary implemented **Treasures**, a research-based reading program. High quality literature coupled with explicit instruction and ample practice time provides opportunities for tremendous student growth. Teachers, parents, and students report this is a very new approach to Reading, and data from **MAP** [Measure of Academic Performance] and **KCCT** indicate great promise.

**Read 180/System 44** — Grades 3-8 are implementing this research-based reading intervention. This program provides reading instruction using technology, print, and professional development. This program is geared towards struggling readers at least one grade level behind their peers. In 2012, Corbin Elementary added System 44, which is the remedial program associated with READ 180 to enhance learning for struggling students.

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Year ended June 30, 2012**

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**Corbin High School Advanced Placement Program** — In 2007, CHS became one of the first Kentucky schools awarded the NMSI/Advance Kentucky AP Grant to help promote enrollment and student success in English, Mathematics, and Science AP classes. Corbin teachers participate in rigorous training, student prep sessions, along with prescribed incentives for students. Presently the 2012-2013 CHS AP course offerings include: English Language and Literature, Calculus AB and Statistics, Biology, Chemistry, Physics, and U.S. History. Students receive \$100 for qualifying scores on the national assessment as well as college credit. Teachers participate in week long summer training and two day winter trainings. The Board pays for all student costs of assessments.

### **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$5,223,185 in 2012 and \$3,608,942 in 2011. In 2011 and 2010, cash of \$2,222,549 and \$1,542,092, respectively, was reserved for capital projects. In 2012, cash of \$33,017 was reserved for instructional site-base purposes.
- The General Fund had \$17,706,861 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$17,790,023 in General Fund expenditures.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)** **Year ended June 30, 2012**

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The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on the table of contents of this report.

**Fund financial statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2012

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Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

#### Net Assets for the period ending June 30, 2012

Fiscal year 2012 government-wide net assets compared to 2011 are as follows:

	2012	2011
Current and other assets	\$ 5,657,622	\$ 4,271,313
Capital assets	41,699,385	37,142,859
Total Assets	<u>47,357,007</u>	<u>41,414,172</u>
Current liabilities	3,261,563	2,148,445
Noncurrent liabilities	29,559,330	24,994,720
Total Liabilities	<u>32,820,893</u>	<u>27,143,165</u>
Investment in capital assets, net of related debt	11,079,854	11,305,859
Restricted net assets	2,554,288	1,713,676
Unrestricted net assets	901,972	1,251,472
Total Net Assets	<u>\$ 14,536,115</u>	<u>\$ 14,271,007</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$14,149,459; proprietary assets exceeded liabilities by \$386,655 and total assets exceeded liabilities by \$14,536,115 at June 30, 2012.

The District had an overall decrease in unrestricted net assets of \$349,500, comprised of a decrease in business-type activities of \$63,132 and a decrease in governmental activities of \$286,368.

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year ended June 30, 2012**

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2012 and 2011.

	<u>2012</u>	<u>2011</u>
<b>Revenues and other financing sources</b>		
Local revenue sources	\$ 3,728,685	\$ 3,789,659
State revenue sources	17,371,260	16,220,383
Federal revenue	<u>3,075,631</u>	<u>3,607,224</u>
<b>Total Revenue</b>	<u>24,175,576</u>	<u>23,617,266</u>
<b>Expenditures and other financing uses</b>		
Instruction	14,885,128	15,107,121
Student support services	334,128	294,039
Instructional support	335,703	424,255
District administration	674,189	970,731
School administration	1,340,602	1,248,915
Business operations	639,782	527,886
Plant operation and maintenance	2,241,643	1,786,385
Student transportation	841,153	816,994
Other instructional	11,870	12,071
Community services	206,922	215,306
Debt service	2,670,004	2,204,253
Facilities acquisition and construction	106,959	7,683,352
Site Improvement	<u>5,346,067</u>	<u>-</u>
<b>Total expenditures</b>	<u>29,634,150</u>	<u>31,291,308</u>
<b>Excess revenues (expenditures)</b>	<u>(5,458,575)</u>	<u>(7,674,042)</u>
<b>Other financing sources (uses)</b>		
Bond proceeds	6,346,000	-
Transfers in	2,069,733	2,855,211
Transfers out	(2,069,733)	(2,855,211)
Proceeds from sale of assets	<u>-</u>	<u>316,116</u>
<b>Total other financing sources (uses)</b>	<u>6,346,000</u>	<u>316,116</u>
<b>Net change in fund balance</b>	<u>887,424</u>	<u>(7,357,926)</u>

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)** **Year ended June 30, 2012**

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On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

#### **BUDGETARY IMPLICATION**

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$788,800 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

#### **Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2012 were \$17,706,861 excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$3,702,026 more than budget or 26.43% more than budget. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$3,371,610 that were not budgeted. When these are eliminated, revenues compared to budget were \$330,416 or 2.36% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2012 was \$17,790,023.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$3,459,083 more than budget or 24.14% more than budget. This is primarily due to recording on-behalf payments made by the State of Kentucky of \$3,371,610 that were not budgeted. When these are eliminated, expenditures compared to budget were \$87,473 or .61% less than anticipated.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent (606) 528-1303, or to Alicia Logan, Director of Financial Services at (606) 528-1303, or by mail at 108 Roy Kidd Avenue, Corbin, KY 40701.

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2012**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,973,032	\$ 126,986	\$ 5,100,018
Accounts receivable:			
Taxes	33,084	-	33,084
Other	-	27,616	27,616
Intergovernmental - State	56,311	-	56,311
Intergovernmental - Federal	241,823	52,203	294,026
Inventory	-	31,098	31,098
Bond issue costs, net	115,470	-	115,470
Capital Assets, net			
Nondepreciable	19,263,170	-	19,263,170
Depreciable	22,274,030	162,185	22,436,215
<b>Total assets</b>	<b>46,956,919</b>	<b>400,088</b>	<b>47,357,007</b>
<b>LIABILITIES</b>			
Accounts payable	1,098,783	13,433	1,112,216
Accrued expenses	11,396	-	11,396
Deferred revenue	64,967	-	64,967
Construction contracts retainage	272,482	-	272,482
Current maturities of bond obligations	1,344,778	-	1,344,778
Current portion of accumulated sick leave	95,000	-	95,000
Interest payable	360,724	-	360,724
Noncurrent maturities of bond obligations	29,390,222	-	29,390,222
Noncurrent portion of accumulated sick leave	169,108	-	169,108
<b>Total liabilities</b>	<b>32,807,460</b>	<b>13,433</b>	<b>32,820,893</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,917,669	162,185	11,079,854
Restricted for:			
Capital expenditures	2,222,549	-	2,222,549
Other	331,739	-	331,739
Unrestricted	677,502	224,470	901,972
<b>Total net assets</b>	<b>\$ 14,149,459</b>	<b>\$ 386,655</b>	<b>\$ 14,536,115</b>

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2012**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
Instruction	\$ 15,479,504	\$ 58,250	\$ 3,157,457	\$ -	\$ (12,263,797)	\$ -	\$ (12,263,797)
Student	335,207	-	40,480	-	(294,727)	-	(294,727)
Instructional support	341,687	-	60,720	-	(280,967)	-	(280,967)
District administration	694,442	-	80,960	-	(613,482)	-	(613,482)
School administration	1,350,688	-	182,161	-	(1,168,527)	-	(1,168,527)
Business operations	641,030	-	80,960	-	(560,070)	-	(560,070)
Plant operations and maintenance	2,233,953	18,480	263,121	-	(1,952,352)	-	(1,952,352)
Student transportation	928,737	-	60,720	-	(868,017)	-	(868,017)
Other instructional	11,870	-	-	-	(11,870)	-	(11,870)
Community services	212,093	-	121,441	-	(90,652)	-	(90,652)
Building acquisition and construction	-	-	-	1,663,848	1,663,848	-	1,663,848
Interest on long-term debt	1,543,711	-	-	-	(1,543,711)	-	(1,543,711)
<b>Total governmental activities</b>	<b>23,772,923</b>	<b>76,730</b>	<b>4,048,022</b>	<b>1,663,848</b>	<b>(17,984,323)</b>	<b>-</b>	<b>(17,984,323)</b>
<b>Business-type activities</b>							
Food service	1,812,109	500,542	1,159,277	-	-	(152,290)	(152,290)
Community service operations	327,175	319,738	69,031	-	-	61,594	61,594
<b>Total business-type activities</b>	<b>2,139,284</b>	<b>820,280</b>	<b>1,228,308</b>	<b>-</b>	<b>-</b>	<b>(90,696)</b>	<b>(90,696)</b>
<b>Total primary government</b>	<b>\$ 25,912,207</b>	<b>\$ 897,010</b>	<b>\$ 5,276,330</b>	<b>\$ 1,663,848</b>	<b>(17,984,323)</b>	<b>(90,696)</b>	<b>(18,075,019)</b>
<b>General revenues</b>							
Taxes:							
			Property		2,418,334	-	2,418,334
			Motor vehicle		444,038	-	444,038
			Utility		555,446	-	555,446
			Earnings on investments		74,446	1,413	75,859
			State grants		14,735,021	-	14,735,021
			Other local amounts		159,691	-	159,691
			Gain/ (Loss) on disposal of assets		(138)	-	(138)
			Total general revenues		18,386,838	1,413	18,388,251
			<b>Change in net assets</b>		<b>402,514</b>	<b>(89,283)</b>	<b>313,231</b>
			Net assets as of June 30, 2011		13,795,070	475,938	14,271,008
			Prior period adjustment		(48,125)	-	(48,125)
			<b>Net assets as of June 30, 2012</b>		<b>\$ 14,149,459</b>	<b>\$ 386,655</b>	<b>\$ 14,536,115</b>

The accompanying notes are an integral part of these financial statements



# CORBIN INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS Year ended June 30, 2012

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,491,976	\$ -	\$ 3,510,501	\$ 203,722	\$ 5,206,199
Accounts receivable:					
Taxes	33,084	-	-	-	33,084
Intergovernmental - State	-	56,311	-	-	56,311
Intergovernmental - Federal	-	241,823	-	-	241,823
<b>Total assets</b>	<u>1,525,061</u>	<u>298,134</u>	<u>3,510,501</u>	<u>203,722</u>	<u>5,537,418</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Checks written in excess of account balance	-	233,167	-	-	233,167
Accounts payable	83,313	-	1,015,470	-	1,098,783
Accrued payroll payables	11,396	-	-	-	11,396
Construction contracts retainage	-	-	272,482	-	272,482
Deferred revenue	-	64,967	-	-	64,967
<b>Total liabilities</b>	<u>94,708</u>	<u>298,134</u>	<u>1,287,952</u>	<u>-</u>	<u>1,680,795</u>
<b>Fund balances</b>					
Restricted	95,000	-	2,222,549	203,722	2,521,271
Assigned	33,017	-	-	-	33,017
Unassigned	1,302,336	-	-	-	1,302,336
<b>Total fund balances</b>	<u>1,430,352</u>	<u>-</u>	<u>2,222,549</u>	<u>203,722</u>	<u>3,856,623</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,525,061</u>	<u>\$ 298,134</u>	<u>\$ 3,510,501</u>	<u>\$ 203,722</u>	<u>\$ 5,537,418</u>

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS**

**Year ended June 30, 2012**

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Total fund balances - governmental funds \$ 3,856,623

Amounts reported for governmental activities in the statement of net  
assets are different because:

Capital assets used in governmental activities are not current financial  
resources and, therefore, are not reported as assets in governmental funds. 41,537,199

Capitalized the bond issue costs for the sale/refunding of bonds less  
amortization over the life of the bonds. 115,470

Bonds payable are not reported in the governmental fund balance sheet  
because they are not due and payable in the current period, but they  
are presented in the statement of net assets. (30,735,000)

Accumulated sick leave is not reported in the governmental  
fund balance sheet because it is not due and payable in the current period,  
but it is presented in the statement of net assets. (264,110)

Interest payable is not reported in the governmental fund balance sheet  
because it is not due and payable in the current period, but it is presented  
in the statement of net assets. (360,724)

Total net assets - governmental activities \$ 14,149,459

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2012**

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 1,629,604	\$ -	\$ -	\$ 788,730	\$ 2,418,334
Motor vehicle	444,038	-	-	-	444,038
Utility	555,446	-	-	-	555,446
Earnings on investments	30,504	-	43,941	-	74,446
Other local	194,160	42,262	-	-	236,421
Intergovernmental - State	14,847,636	859,776	-	1,663,848	17,371,260
Intergovernmental - Federal	5,474	2,803,453	-	266,704	3,075,631
<b>Total revenues</b>	<b>17,706,861</b>	<b>3,705,491</b>	<b>43,941</b>	<b>2,719,282</b>	<b>24,175,575</b>
<b>Expenditures</b>					
Current:					
Instruction	11,465,869	3,419,259	-	-	14,885,128
Student	334,128	-	-	-	334,128
Instructional support	304,498	31,204	-	-	335,703
District administration	674,189	-	-	-	674,189
School administration	1,250,602	90,000	-	-	1,340,602
Business operations	639,782	-	-	-	639,782
Plant operations and maintenance	2,241,643	-	-	-	2,241,643
Student transportation	834,237	6,916	-	-	841,153
Other instructional	11,870	-	-	-	11,870
Community services	-	206,922	-	-	206,922
Building acquisition and construction	-	-	106,959	-	106,959
Site improvement	-	-	5,346,067	-	5,346,067
Debt service	33,204	-	-	2,636,800	2,670,004
<b>Total expenditures</b>	<b>17,790,023</b>	<b>3,754,301</b>	<b>5,453,026</b>	<b>2,636,800</b>	<b>29,634,150</b>
Excess (deficit) of revenues over (under) expenditures	(83,162)	(48,810)	(5,409,085)	82,482	(5,458,575)
<b>Other financing sources (uses)</b>					
Bond principal proceeds	-	-	5,950,000	396,000	6,346,000
Transfers in	135,217	48,810	139,542	1,746,164	2,069,733
Transfers out	(48,810)	-	-	(2,020,923)	(2,069,733)
<b>Total other financing sources (uses)</b>	<b>86,407</b>	<b>48,810</b>	<b>6,089,542</b>	<b>121,241</b>	<b>6,346,000</b>
<b>Net change in fund balance</b>	<b>3,245</b>	<b>-</b>	<b>680,458</b>	<b>203,722</b>	<b>887,424</b>
Fund balance as of June 30, 2011	1,427,107	-	1,542,091	48,125	3,017,323
Prior period adjustment	-	-	-	(48,125)	(48,125)
<b>Fund balance as of June 30, 2012</b>	<b>\$ 1,430,352</b>	<b>\$ -</b>	<b>\$ 2,222,549</b>	<b>\$ 203,722</b>	<b>\$ 3,856,623</b>

The accompanying notes are an integral part of these financial statements

## CORBIN INDEPENDENT SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2012

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Net change in total fund balances - governmental funds	\$ 887,424
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	4,580,446
Bond issuance costs are reported as expenditures in the fund financial statements because they use current resources, but they are presented as assets in the statement of activities and amortized over the life of the bond	(115,470)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net assets.	(4,864,796)
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	(360,724)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	42,467
Checks written in excess is recorded as a liability on the financial statements	<u>233,167</u>
Change in net assets - governmental activities	<u>\$ 402,514</u>

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
Year ended June 30, 2012**

	Food Service Fund	Other Enterprise Funds	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ -	\$ 126,986	\$ 126,986
Accounts receivable	79,819	-	79,819
Inventory	31,098	-	31,098
Total current assets	110,917	126,986	237,903
<b>Noncurrent assets</b>			
Capital assets	583,535	-	583,535
Less accumulated depreciation	(421,350)	-	(421,350)
Total noncurrent assets	162,185	-	162,185
<b>Total assets</b>	273,102	126,986	400,088
<b>LIABILITIES</b>			
Accounts payable	13,433	-	13,433
Total liabilities	13,433	-	13,433
<b>NET ASSETS</b>			
Invested in capital assets	162,185	-	162,185
Unrestricted	97,484	126,986	224,470
<b>Total net assets</b>	\$ 259,669	\$ 126,986	\$ 386,655

The accompanying notes are an integral part of these financial statements

## CORBIN INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
 PROPRIETARY FUNDS  
 Year ended June 30, 2012**

	Food Service Fund	Other Enterprise Funds	Total
<b>Operating revenues</b>			
Lunchroom sales	\$ 500,542	\$ -	\$ 500,542
Tuition and fees	-	319,738	319,738
Total operating revenues	500,542	319,738	820,280
<b>Operating expenses</b>			
Salaries and wages	493,228	134,268	627,496
Employee benefits	464,514	101,841	566,355
Materials and supplies	823,022	91,066	914,088
Depreciation	31,344	-	31,344
Total operating expenses	1,812,109	327,175	2,139,284
Operating loss	(1,311,567)	(7,437)	(1,319,004)
<b>Nonoperating revenues</b>			
Federal grants	792,162	-	792,162
State grants	342,168	69,031	411,200
Donated commodities	24,947	-	24,947
Interest income	1,413	-	1,413
Loss on disposal of assets	-	-	-
Total nonoperating revenues/(expenses)	1,160,690	69,031	1,229,721
Income before contributions			
Transfers and special items	(150,877)	61,594	(89,283)
Transfers in	-	-	-
<b>Change in net assets</b>	(150,877)	61,594	(89,283)
Net assets as of June 30, 2011	410,546	65,392	475,938
<b>Net assets as of June 30, 2012</b>	<b>\$ 259,669</b>	<b>\$ 126,986</b>	<b>\$ 386,655</b>

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**Year ended June 30, 2012**

	Food Service Fund	Other Enterprise Funds	Total
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 450,372	\$ -	\$ 450,372
Other activities	-	321,087	321,087
Cash paid to/for:			
Employees	(957,742)	(236,109)	(1,193,851)
Supplies	(798,832)	(92,470)	(891,302)
Net cash used in operating activities	(1,306,203)	(7,492)	(1,313,695)
<b>Cash flows from non-capital financing activities</b>			
Grants received	1,159,761	69,031	1,228,792
Net cash used in non-capital financing activities	1,159,761	69,031	1,228,792
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	(5,195)	-	(5,195)
Interest received on investments	1,413	-	1,413
Net cash used in capital and related activities	(3,782)	-	(3,782)
Net increase in cash and cash equivalents	(150,224)	61,539	(88,685)
Cash and cash equivalents as of June 30, 2011	150,224	65,447	215,671
<b>Cash and cash equivalents as of June 30, 2012</b>	-	\$ 126,986	\$ 126,986
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income/ (loss)	(1,311,567)	(7,437)	(1,319,004)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
(Increase) Decrease in Accounts Receivable	(50,170)	1,349	(48,821)
(Increase) Decrease in Inventory	11,958	-	11,958
Increase (Decrease) in Accounts Payable	(12,715)	(1,404)	(14,119)
Depreciation	31,344	-	31,344
Commodities received	24,947	-	24,947
<b>Net cash used in operating activities</b>	(1,306,203)	(7,492)	(1,313,695)
<b>Schedule of non-cash transactions:</b>			
Loss on disposal of assets	-	-	-
Depreciation	31,344	-	31,344
Donated commodities	24,947	-	24,947
<b>Total non-cash transactions</b>	\$ 56,291	\$ -	\$ 56,291

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
Year ended June 30, 2012**

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	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>		
Cash	\$ 160,293	\$ 160,293
Accounts receivable	<u>1,896</u>	<u>1,896</u>
<b>Total assets</b>	<u>162,189</u>	<u>162,189</u>
<b>LIABILITIES</b>		
Accounts payable	2,091	2,091
Due to student groups	<u>160,098</u>	<u>160,098</u>
<b>Total liabilities</b>	<u>162,189</u>	<u>162,189</u>
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



# CORBIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2012

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### 1. The Reporting Entity

The Corbin Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Corbin Independent School District (District). The District receives funding from Local, State, and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39 *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue, and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the basic financial statements of the following organization is included in the accompanying basic financial statements:

***Corbin Independent School District Finance Corporation*** – In a prior year, the Corbin Independent, Kentucky, Board of Education resolved to authorize the establishment of the Corbin Independent School District Finance Corporation (Corporation) (a nonprofit, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Corbin Independent Board of Education also comprise the Corporation's Board of Directors.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies

**Government-wide financial statements** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through state funding, property taxes, and Federal, State, and Local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and each segment of the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program, or function. The District charges indirect expenses to programs or functions in accordance with preset formulas. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund financial statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

---

#### 2. Basis of presentation and summary of significant accounting policies (continued)

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The fund's principal operating revenues are food service charges. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

##### a. *Governmental fund types*

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a major fund of the District.

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This is a major fund of the District.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the State as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations).
2. The *Facility Support Program (FSPK) Fund* accounts for funds generated by the building tax levy that is required for participation in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The *School Construction Fund* includes capital projects. The fund also accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

The *Debt Service Fund* is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest and related costs, and for the payment of interest on general obligation notes payable, as required by Kentucky law.

#### b. Proprietary fund types

The *School Food Service Fund* accounts for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 to proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements.

The *Day Care Fund* is used to account for the day care operations of the District. The Day care Fund is not a major fund for the purposes of financial statement presentation.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

##### c. *Fiduciary fund type*

The *Agency Funds* account for activities of student groups and other types of activities requiring clearing accounts. Certain agency funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

***Basis of Accounting*** – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

***Revenues, Exchange and Nonexchange Transactions*** – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

***Expenditures/Expenses*** – On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

**Budgetary process** – Budgetary Basis of Accounting: The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. This budget must contain a 2% reserve but not greater than 10%.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**Cash and cash equivalents** – The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

**Inventories** – Supplies and materials are charged to expense when purchased (purchases method). On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

**Prepaid assets** – Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Bond issue costs** – Costs associated with the issuance of bond obligations, including fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

**Interfund balances** – On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Capital assets** – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers and related equipment for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; whereas, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

*See table on next page*

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Other	10 years

**Accrued liabilities and long-term obligations** – All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements, but only to the extent that they will be paid with current, expendable, and available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Deferred revenue** – Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

**Accumulated sick leave** – Sick leave benefits are accrued as a liability using the vesting method based on employees with 27 or more years of service and employees 55 years of age and older with more than five years of service. The current portion of the liability is estimated based on the District's historical trends and anticipated payments.



## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

**Net assets** – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Contributions of capital** – Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, grants, or outside contributions of resources restricted to capital acquisition and construction.

**Interfund activity** – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

**Encumbrance accounting** – Encumbrances are not liabilities; therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

**Estimates** – The preparation of basic financial statements requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 2. Basis of presentation and summary of significant accounting policies (continued)

**Fund Balance** – The Board has adopted GASB Statement number 54 in the current reporting period. This statement substantially changes the terminology used to describe different components of fund balance. Under this statement, fund balance is separated into five categories, as follows:

<i>Nonspendable</i>	Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.
<i>Restricted</i>	Legally restricted under federal or state law, bond authority, or grantor contract.
<i>Committed</i>	Commitments passed by the Board.
<i>Assigned</i>	Funds assigned to management priority including issued encumbrances.
<i>Unassigned</i>	Funds available for future operations.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities; therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2012, in the governmental funds balance sheet.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%.

#### 3. Cash and cash equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2012, the carrying amount of the District's cash and cash equivalents, including governmental and proprietary cash balances, was \$5,493,478 and the bank balance was \$6,015,914. The District held an additional \$160,293 in agency for various groups.

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

**Year ended June 30, 2012**

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#### **3. Cash and cash equivalents (continued)**

Of the total cash balance, \$250,000 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging bank's trust department in the District's name. By state statute, and District policy, the District may deposit funds in state and nationally chartered banks which provide FDIC insurance and sufficient collateral to secure deposits in excess of FDIC coverage. Cash equivalents are funds temporarily invested in securities with maturities of 90 days or less.

Cash is commingled in various bank accounts and short-term certificates of deposits. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash amount within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- Agency Funds

#### **4. Investments**

Funds of the District are considered to be public funds; therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds, as provided by KRS 66.480. At June 30, 2012, the District holds no demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest rate risk.

#### **5. Property taxes**

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 1 and become delinquent after February 1 following the levy date. Property tax rates assessed for the year ended June 30, 2012 were \$.539 per \$100 valuation for real property, \$.540 per \$100 valuation for business property, and \$.693 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

# CORBIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

### 6. Capital assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Land	\$ 2,719,318	\$ -	\$ -	\$ 2,719,318
Land improvements	1,841,113	-	-	1,841,113
Buildings & improvements	28,736,975	53,400	-	28,790,375
Technology equipment	2,668,679	279,050	54,684	2,893,046
Vehicles	1,713,334	3,500	-	1,716,834
General equipment	2,429,236	107,829	-	2,537,066
Construction in progress	11,254,283	5,289,569	-	16,543,851
Total at historical cost	\$ <u>51,362,938</u>	\$ <u>5,733,348</u>	\$ <u>54,684</u>	\$ <u>57,041,603</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,429,272	\$ 37,935	\$ -	\$ 1,467,206
Buildings & improvements	9,349,773	632,270	-	9,982,043
Technology equipment	1,927,460	247,556	54,545	2,120,471
Vehicles	1,046,577	100,298	-	1,146,874
General equipment	655,333	132,476	-	787,809
Total accumulated depreciation	\$ <u>14,408,414</u>	\$ <u>1,150,534</u>	\$ <u>54,545</u>	\$ <u>15,504,403</u>
Governmental Activities				
Capital Assets-net	\$ <u>36,954,524</u>	\$ <u>4,582,814</u>	\$ <u>138</u>	\$ <u>41,537,199</u>
<u>Business-Type Activities</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Technology equipment	\$ 47,979	\$ 5,195	\$ -	\$ 53,174
Vehicles	17,489	-	-	17,489
General equipment	512,872	-	-	512,872
Total at historical cost	\$ <u>578,340</u>	\$ <u>5,195</u>	\$ <u>-</u>	\$ <u>583,535</u>
Less: Accumulated depreciation				
Technology equipment	21,707	3,731	-	25,438
Vehicles	4,955	3,498	-	8,453
General equipment	363,343	24,116	-	387,459
Total accumulated depreciation	\$ <u>390,006</u>	\$ <u>31,344</u>	\$ <u>-</u>	\$ <u>421,350</u>
Business-Type Activities				
Capital Assets-net	\$ <u>188,334</u>	\$ <u>(26,149)</u>	\$ <u>-</u>	\$ <u>162,185</u>

# CORBIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

### 6. Capital assets (continued)

Depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 977,849
Support services:	
Student	1,079
Instructional staff	5,984
District administration	20,253
School administration	10,086
Business support	1,248
Plant operation and management	37,779
Student transportation	91,084
Community services activities	5,171
Total governmental activities	<u>\$ 1,150,534</u>

### 7. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Corbin Independent School District Finance Corporation.

The original amount of each issue, the issue date, interest rate, and summary of changes are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2011 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2012 Outstanding Balance</u>
Issue of 2000	\$ 305,000	3/1/2020	5.60%	\$ 175,000	\$ -	\$ 175,000	\$ -
Issue of 2001	345,000	3/1/2021	3.9-4.9%	205,000	-	205,000	-
Issue of 2005	530,000	7/1/2016	3.1-3.6%	377,000	-	117,000	260,000
Issue of 2007	15,005,000	2/1/2027	3.6-4.0%	14,800,000	-	650,000	14,150,000
Issue of 2009	10,545,000	12/1/2029	2.625-5.0%	10,280,000	-	265,000	10,015,000
Issue of 2011R	396,000	3/1/2021	1.75%	-	396,000	36,000	360,000
Issue of 2011	950,000	9/1/2031	2.10-3.05%	-	950,000	-	950,000
Issue of 2011	\$ 5,000,000	9/1/2029	4.35%	-	5,000,000	-	5,000,000
Totals				<u>\$25,837,000</u>	<u>\$ 6,346,000</u>	<u>\$ 1,448,000</u>	<u>\$ 30,735,000</u>

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

#### 7. Bonded debt and lease obligations (continued)

In 2007, the District entered into negotiations to purchase computer equipment. A non-interest bearing technology loan in the amount of \$332,044 was obtained through the KISTA New Market Tax Credit Program, and is shown as lease obligations in the accompanying financial statements. The original amount of each issue, the issue date, interest rate, and summary of changes are summarized below for each agreement with the Kentucky Interlocal Transportation Association (KISTA) agreement:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2011 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2012 Outstanding Balance</u>
Issue of 2007	\$ 332,044	11/15/2011	0.00%	\$ 33,204	\$ -	\$ 33,204	\$ -
Totals				\$ 33,204	\$ -	\$ 33,204	\$ -

The District, through the General Fund, the Special Revenue Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Corbin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District, through the General Fund, is also obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kentucky Interlocal Transportation Association (KISTA) for the purchase of school buses.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Generally, the participation agreements provide for the Commission to assist the District in meeting bond obligations and are renewable bi-annually at the Commission's option. In the future, should the Kentucky General Assembly choose to not fund the Commission the District would be responsible for meeting the full requirements of the bond issues. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity with redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission and Federal Government, as of June 30, 2012 for debt service (principal and interest) are as follows:

# CORBIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

### 7. Bonded debt and lease obligations (continued)

YEAR	<u>LOCAL</u>		<u>KSFCC</u>		<u>QZAB</u> SINKING FUND		<u>FEDERAL</u> Direct Pay		TOTAL PRINCIPAL
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>		<u>INTEREST</u>		
2013	\$ 1,036,547	\$ 849,219	\$ 308,231	\$ 81,012	\$ -	\$ -	\$ 391,287	\$ -	\$ 1,344,778
2014	\$ 1,071,446	\$ 818,513	\$ 312,332	\$ 77,385	\$ -	\$ -	\$ 389,212	\$ -	\$ 1,383,778
2015	\$ 1,101,353	\$ 785,813	\$ 315,425	\$ 73,346	\$ -	\$ -	\$ 386,418	\$ -	\$ 1,416,778
2016	\$ 1,132,956	\$ 751,179	\$ 314,822	\$ 69,038	\$ -	\$ -	\$ 383,141	\$ -	\$ 1,447,778
2017	\$ 1,119,291	\$ 714,864	\$ 305,487	\$ 64,600	\$ -	\$ -	\$ 379,330	\$ -	\$ 1,424,778
2018	\$ 1,207,118	\$ 678,364	\$ 309,660	\$ 60,363	\$ -	\$ -	\$ 375,060	\$ -	\$ 1,516,778
2019	\$ 1,247,684	\$ 638,376	\$ 314,094	\$ 55,930	\$ -	\$ -	\$ 370,577	\$ -	\$ 1,561,778
2020	\$ 1,293,263	\$ 596,880	\$ 318,515	\$ 51,331	\$ -	\$ -	\$ 365,946	\$ -	\$ 1,611,778
2021	\$ 1,330,712	\$ 553,272	\$ 301,066	\$ 46,435	\$ -	\$ -	\$ 360,851	\$ -	\$ 1,631,778
2022	\$ 1,379,643	\$ 507,527	\$ 283,135	\$ 41,549	\$ -	\$ -	\$ 355,177	\$ -	\$ 1,662,778
2023	\$ 1,429,886	\$ 459,629	\$ 287,892	\$ 36,791	\$ -	\$ -	\$ 349,183	\$ -	\$ 1,717,778
2024	\$ 1,479,909	\$ 409,861	\$ 292,869	\$ 31,815	\$ -	\$ -	\$ 342,927	\$ -	\$ 1,772,778
2025	\$ 1,529,634	\$ 358,082	\$ 298,144	\$ 26,539	\$ -	\$ -	\$ 336,288	\$ -	\$ 1,827,778
2026	\$ 1,584,534	\$ 303,150	\$ 303,738	\$ 20,944	\$ -	\$ -	\$ 329,305	\$ -	\$ 1,888,272
2027	\$ 1,643,068	\$ 244,182	\$ 131,932	\$ 15,005	\$ -	\$ -	\$ 321,966	\$ -	\$ 1,775,000
2028	\$ 1,729,282	\$ 159,714	\$ 65,718	\$ 8,698	\$ -	\$ -	\$ 271,268	\$ -	\$ 1,795,000
2029	\$ 1,790,521	\$ 98,166	\$ 69,479	\$ 4,936	\$ -	\$ -	\$ 238,359	\$ -	\$ 1,860,000
2030	\$ 1,851,982	\$ 33,615	\$ 53,018	\$ 1,491	\$ 1,170,614	\$ -	\$ 126,173	\$ -	\$ 3,075,614
2031	\$ 10,000	\$ 520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
2032	\$ 10,000	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
<hr/>									
	\$ 24,978,829	\$ 8,961,100	\$ 4,585,557	\$ 767,208	\$ 1,170,614	\$ -	\$ 6,072,470	\$ -	\$ 30,735,000

In 2009, the District issued \$10,545,000 of School Building Revenue Bonds (Build America Bonds – Direct Pay to Issuer) to finance the construction of additions and renovations to Corbin High School. A provision of the American-Reinvestment and Recovery Act of 2009 (the “ARRA”) authorized the issuance of the taxable bonds known as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to thirty-five percent of the amount of each interest payment on such taxable bonds. The District elected to issue the Bonds as taxable bonds. The available subsidy for the Bonds will be paid directly to the District and has been pledged to the payment of the Bonds.

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

**Year ended June 30, 2012**

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#### **7. Bonded debt and lease obligations (continued)**

In 2011, the District issued \$5,000,000 of Qualified Zone Academy Bonds, (QZAB), to finance the construction of additions and renovations to Corbin High School. The QZABS were issued as “qualified zone academy bonds” and “specified tax credit bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “ARRA”). The District has designated the Bonds as “qualified zone academy bonds” and “specified tax credit bonds” and has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the Corporation on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(B)(3) of the Internal Revenue Code with respect to such bond had the bonds been issued as “tax credit bonds.” The available cash subsidy payment for the bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the bonds.

The District entered into an escrow agreement with the paying agent escrow agent directing that the escrow agent enter an Investment Agreement (a forward purchase or similar guaranteed investment agreement) with a provider that was selected by the District. The escrow agent shall purchase from the provider annually the investments required for deposit to the Sinking Fund for the QZABS established under the bond resolution and escrow agreement to the end that such annual Sinking Fund payments, together with the proceeds of the investment and re-investment thereof, will produce total principal amount required for the retirement of the QZABS on their maturity dates. We show the Sinking Fund principal due on a separate column above in our bond payment schedule. This amount will accrue interest accrued on the sinking fund, and will not require the District to make any further payments unless the interest accrued does not equal principal owed.

#### **8. Accumulated unpaid sick leave benefits**

Upon retirement from the school system, certain employees will receive from the District an amount equal to 30% of the value of accumulated sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account accumulated sick leave payable in the General Fund. The noncurrent portion of the liability is not reported in the government fund financial statements.



## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 8. Accumulated unpaid sick leave benefits (continued)

A summary of the accumulated unpaid sick leave benefits for the fiscal year ended June 30, 2012 is as follows:

Balance as of June 30, 2011	\$ 306,575
Net Change	<u>42,467</u>
Balance as of June 30, 2012	264,108
Less current portion	<u>95,000</u>
Long-term portion	<u>\$ 169,108</u>

#### 9. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund (Liability Insurance Fund or Trust). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminated coverage, any amount remaining in the Liability Insurance Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 9. Risk management (continued)

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under Cobra, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

#### 10. Retirement plans

##### **Kentucky Teachers Retirement System**

*Plan description* – The Corbin Independent School District contributes to the Kentucky Teacher's Retirement System ("KTRS"), a cost-sharing, multiple-employer defined benefit plan. KTRS administers retirement and disability annuities, as well as, death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>.

*Funding policy* – Contribution rates are established by KRS. Members who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 2008 contribute an additional 0.5% or 10.855% of their salaries to KTRS. The Commonwealth of Kentucky, on behalf of the District's certified employees, is required to contribute 13.355% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 10. Retirement Plans (Continued)

##### Medical Insurance Plan

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance, and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of members gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011-2012 fiscal year.

The Corbin Independent School District total payroll for the year was \$14,167,346. The payroll for employees covered under KTRS was \$11,043,237. For the year ended June 30, 2012, the Commonwealth of Kentucky contributed \$1,270,964 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2012, 2011, and 2010 were \$242,756, \$167,031, and \$142,239 respectively, which represents those employees covered by federal programs. The District's contribution was equal to the required contribution for that year.

##### County Employees Retirement System

Employees who work an average of 80 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple employer, public employees retirement system created and operating under Kentucky Law.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 11. Retirement Plans (Continued)

*Plan Description* – The County Employees Retirement System covers substantially all regular non-certified (classified personnel) full time employees of the District. The plan provides for retirement, disability, and death benefits. The CERS issues a publicly available financial report that includes financial statement and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

*Funding Policy* – Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. Employees with a participation date on or after September 1, 2008 contribute and extra 1% to be deposited into the insurance fund. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates. The current District contribution rate is 18.96% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by Kentucky Retirement System's Board of Trustees. The District's contributions (including matching contributions and employee contributions) to CERS for the years ended June 30, 2012, 2011, and 2010 were \$661,007, \$582,660, and \$559,565 respectively. The District's contributions were equal to the required contribution for those years.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pension's funding status on a going-concern basis, assess progress made in the accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS and KTRS does not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plans, it is not practicable to determine the District's portion of the unfunded past service cost of the vested benefits of the District's portion of the Plan assets.

#### 12. Contingencies

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2012 may be impaired. The amount of such future refunds and unreimbursed

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 12. Contingencies (continued)

disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

*Board of Education of the Corbin Independent Schools, Corbin, Kentucky v. Kentucky Board of Education, Dr. Terry Holiday, Commissioner of Education and Board of Education of Knox County, Kentucky; Franklin Circuit Court, Division II; Civil Action No. 10-C1-759*

The District has an action, complaint, petition for judicial review, and request for declaratory relief filed in Franklin Circuit Court entitled Board of Education of the Corbin Independent Schools, Corbin, Kentucky v. Kentucky Board of Education, Dr. Terry Holiday, Commissioner of Education and Board of Education of Knox County, Kentucky; Franklin Circuit Court, Division II; Civil Action No. 10-C1-759.

KRS 157.350 authorizes State funding (SEEK funds) to a school district for the providing of an education to school-aged students residing in one of Kentucky's public common school districts as well as to nonresident students provided there has been entered into a nonresident student agreement between the public common school district where the student physically resides and the public common school district where the student desires to be enrolled.

The District and the Knox County School District, by and through their respective Board of Education, had for multiple years prior to consideration for the 2010-2011 school year, entered into a so-called "any and all" nonresident student agreement which permitted parental choice as to the public common school district a child would be enrolled, irrespective of their physical residence, with State educational funding (SEEK funds) going to the public common school district of enrollment.

Having been unsuccessful in agreeing upon a nonresident student agreement for the 2010-2011 school year between the District and the Knox County School District, the District appealed to Dr. Terry Holiday, Commissioner of Education, to resolve the dispute between the two School Districts. By letter decision dated March 3, 2010, the Commissioner of Education established the terms of a nonresident student agreement and the District appealed said letter decision to the Kentucky Board of Education. The Kentucky Board of Education agreed to modify the nonresident student agreement to permit siblings of nonresident students enrolled for the 2009-2010 school year to chose the public school district to attend irrespective of residence. Specifically excluded by the Kentucky Board of Education's decision, however, were nonresident rising kindergarten students of non-siblings.

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

**Year ended June 30, 2012**

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#### **12. Contingencies (continued)**

By Complaint, petition for Judicial Review, and Request for Declaratory Relief, filed by the District on May 10, 2010, the Court requested to declare the decision of the Kentucky Board of Education in violation of Section 183 of the Kentucky Constitution; in violation of KRS 157.350(4) that it was without support of substantial evidence on the whole record; that it was arbitrary, capricious and characterized by abuse of discretion; that it was deficient as otherwise provided by law; and that it was in violation of Section 2 of the Kentucky Constitution. Answers to the Complaint were timely filed. The parties unsuccessfully attempted to mediate this matter.

Additionally, as to the nonresident student agreement for the 2011-2012 school year between the District and the Knox County School District, the parties were unable to resolve their dispute as to the present school year's nonresident student agreement such that it became necessary for the District to appeal to Dr. Terry Holiday, Commissioner of Education, requesting he resolve the dispute between the two School Districts. As with the 2010-2011 school year dispute, following the exhaustion of administrative procedures, request was made to the Franklin Circuit Court to "supplement" the Complaint filed in May 2010, to bring in the 2011-2012 school year dispute. That motion was granted and the dispute regarding the 2011-2012 school year has become part of Civil Action No. 10-CI-759. Answers to the Supplemental Complaint were timely filed.

By Opinion and Order entered on June 1, 2012, the Court concluded the administrative proceedings on a nonresident student agreement matter to be governed by KRS Chapter 13B as contended by the District and that the Kentucky Board of Education's decision was arbitrary and an abuse of Discretion. The Court remanded this matter to the Kentucky Board of Education for a proper proceeding. The Knox County School District filed a Motion to Alter, Amend or Vacate. That motion came on for hearing on August 8, 2012. The Court is not vacating its decision, but will consider some "clarifying" language. No new order has been entered. After such an order is entered, it cannot be reasonably predicted whether an appeal to the Kentucky Court of Appeals will be perfected by either the Knox County School District or the Kentucky Board of Education. Alternatively, further administrative proceedings will ensue.

There is no insurance coverage for prosecuting this matter and consequently the costs and expenses incurred will be a general school fund expenditure. The District's attorney is unable to predict the outcome of this litigation at this stage and is unable to estimate the amount of range of potential loss, if any.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 12. Contingencies (continued)

##### Corbin Independent Schools v. Knox County School District

This is an administrative review as to a nonresident student agreement for the 2012-2013 school year pending before the Kentucky Board of Education. The Kentucky Board of Education remanded this matter to the commissioner of education for further review in keeping with the June 1, 2012 decision of the Franklin Circuit Court, *supra*. The commissioner of education entered a revised decision in wording, but not in result. The District has re-appealed to the Kentucky Board of Education. A decision is expected on October 10, 2012.

There is no insurance coverage for prosecuting this matter and consequently the costs and expenses incurred will be a general school fund expenditure. The District's attorney is unable to predict the outcome of this litigation at this stage and is unable to estimate the amount of range of potential loss, if any.

##### Commonwealth of Kentucky, Board of Claims No. BC-2010-00600; Frankfort, Kentucky; and Durenda S. Howard, individually and as Next of Friend of Angelina Rusher, a minor v. Kirk E. Bodenweisert et al; Whitley Circuit Court; Civil Action No. 11-CI-00203

On or about August 9, 2010, a next of friend of a student of the District filed an alleged negligence claim against the District with the Board of Claims. The claimant is allegedly claiming that the District negligently hired a school bus driver, and the school bus driver negligently caused a school bus accident with the student aboard the bus causing the student injury and damages. The lawsuit filed with the Whitley Circuit Court are basically the same claims as alleged before the Board of Claims.

This Board of Claims matter was settled as a part of the settlement of a circuit court action arising from the same set of facts. A motion to dismiss, as settled, has been filed with the Board of Claims, but no order has yet been entered.

In view of the exposure to liability for the conduct of the bus driver, mediation was successfully utilized to resolve this matter for a sum certain for a full release and settlement of all claims against all defendants. An order has been entered by the Court dismissing the action.

This matter was defended pursuant to the District's errors and omissions coverage provided by the Ohio Casualty Insurance Company, less the deductible.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 12. Contingencies (continued)

Travis Conner Smith, by and through his Next Friend, Jerry Travis Smith v. Roy A. Johnson; Whitley Circuit Court; Civil Action No 11-CI-00550

This is a lawsuit filed by the plaintiff against one of the District's employees for damages and alleges that a minor student was left on a school bus for a period of time unattended.

A settlement of this matter was negotiated for sum certain and a full release. An order of dismissal as settled has been entered by the Court.

This matter was defended under the District's self-insured plan administered by the Kentucky League of Cities/Kentucky School Board Insurance Trust (KLC/KSBIT), through Collins & Company, Inc., subject to the contracted for self-insured retention.

In re: Elza Construction, LLC aka Elza Reclamation; United States Bankruptcy Court; Eastern District of Kentucky; Case Number 11-60689-jms

This is a bankruptcy case wherein the debtor listed the District in its bankruptcy due to the certain money owed to the debtor by the District for certain construction projects performed or to be performed. Upon completion of the projects and execution of certain documents, the District intended to make payments to the debtor. However, during the pendency of the aforesaid bankruptcy the debtor's bonding company filed an adversary action in bankruptcy court styled Auto-owners Insurance Company vs. Board of Education for Corbin Independent School District, Paul Elza, Judy Elza and Elza Construction, LLC; United States Bankruptcy Court, Eastern District of Kentucky, London Division, Adversary No. 12-6008, in which the Plaintiff asserted and claimed all money owed the debtor by the District should be paid to the Plaintiff. The debtor defaulted in the adversary proceeding and judgment was entered in favor of the Plaintiff. Thereafter, the Plaintiff and the District entered into an Agreed Order Dismissing As Settled in which the Plaintiff agreed to honor the bonds issued on the construction projects and the District agreed to pay the Plaintiff the money owed to the debtor in the amount of \$41,944 (Fifth Street Project) and \$54,708 (High School Project) pursuant to the judgment entered against the debtor in the adversary proceeding.

#### 13. Deficit operating/fund balances

The following proprietary fund have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Food Service Fund	(150,877)
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## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 14. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers'	
Retirement System of Kentucky	\$ 1,337,579
Health and Life insurance	2,381,816
Other	<u>39,931</u>
Total	<u>\$ 3,759,326</u>

These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts. On-behalf payments were allocated to the General Fund in the amount of \$3,371,610, to School Food Services in the amount of \$327,035, and to the Day Care Services in the amount of \$60,681.

#### 15. Transfer of Funds

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	Matching	\$ 48,810
Capital Outlay	General Fund	COFT	135,217
FSPK	Debt Service	Debt Service	1,746,164
FSPK	Construction Fund	Construction	\$ 139,542

#### 16. Current Refunding of the 2000 and 2001 Issues

The 2011 refunded bonds were issued to purchase an escrow scheduled to mature at such time and in such amounts as are necessary and will be adequate, with investment and reinvestment to meet the current scheduled principal and interest due beginning March 1, 2012 and refund in advance of maturity the principal and interest of the 2000 and 2001 series bonds. The called bonds were paid at 101 on November 1, 2011. The proceeds of \$396,000 will be used to retire the 2000 and 2001 series bonds at cumulative savings to the District of \$50,725. The present value savings at a percentage of refunded principal at 12.6115% is \$47,402.

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

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#### 17. Prior Period Adjustment

The beginning fund balance of the debt service fund (a governmental fund) of the District was adjusted due to timing of a principal payment during the prior year.

Fund Balance, June 30, 2011	\$ 48,125
Prior Period Adjustment	<u>(48,125)</u>
Restated Fund Balance, June 30, 2011	<u>\$ -</u>

The beginning net assets of the governmental activities of the District was adjusted due to the timing of a principal payment during the prior year.

Net Assets, June 30, 2011	\$13,795,070
Prior Period Adjustment	<u>(48,125)</u>
Restated Net Assets, June 30, 2011	<u>\$13,746,945</u>

#### 18. Subsequent Events

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through September 30, 2012, the date on which we issued our financial statements.

The District, on July 18, 2012, sold \$2,600,000 in School Building Revenue Bonds, Series 2012. This bonding issues is part of the second Phase of the Corbin High School Renovation Project.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CORBIN INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	1,470,990	\$ 1,470,990	\$ 1,629,604	\$ 158,614
Motor vehicle	390,000	385,000	444,038	59,038
Utility	545,000	540,000	555,446	15,446
Earnings on investments	60,000	35,000	30,504	(4,496)
Other local	130,913	97,713	194,160	96,447
Intergovernmental - State	10,124,772	11,469,632	14,847,636	3,378,004
Intergovernmental - Federal	18,000	6,500	5,474	(1,026)
Total revenues	12,739,675	14,004,835	17,706,861	3,702,026 *
<b>Expenditures</b>				
Current:				
Instruction	8,665,492	9,040,970	11,465,869	(2,424,899)
Student	191,722	319,030	334,128	(15,098)
Instructional staff	322,788	263,643	304,498	(40,855)
District administration	562,906	642,547	674,189	(31,643)
School administration	1,024,852	1,107,752	1,250,602	(142,850)
Business operations	461,394	483,896	639,782	(155,886)
Plant operations and maintenance	1,389,520	1,704,521	2,241,643	(537,122)
Student transportation	678,589	721,878	834,237	(112,359)
Other instructional	9,489	13,499	11,870	1,629
Debt service	66,409	33,204	33,204	-
Total expenditures	13,373,161	14,330,940	17,790,023	(3,459,083) *
Excess (deficit) of revenues over (under) expenditures	(633,486)	(326,105)	(83,162)	242,943
<b>Other financing sources (uses)</b>				
Transfers in	-	-	135,217	135,217
Transfers out	(30,000)	(30,000)	(48,810)	(18,810)
Total other financing sources (uses)	(30,000)	(30,000)	86,407	116,407
<b>Net change in fund balance</b>	(663,486)	(356,105)	3,245	359,350
Fund balance as of June 30, 2011	1,452,286	1,298,904	1,427,107	128,203
<b>Fund balance as of June 30, 2012</b>	<u>\$ 788,800</u>	<u>\$ 942,799</u>	<u>\$ 1,430,352</u>	<u>\$ 487,553</u>

\* For the year ended June 30, 2012, actual revenues and expenditures exceeded appropriations in various categories primarily due to on-behalf payments made by the Commonwealth of Kentucky for the Corbin Independent School District. These amounts are included in the actual revenues and expenditures, but are not included in the budgeted amounts.

The accompanying notes are an integral part of these financial statements

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ 3,250	\$ 40,750	\$ 42,262	\$ 1,512
Intergovernmental - State	873,909	755,897	859,776	103,879
Intergovernmental - Federal	3,658,215	2,035,319	2,803,453	768,134
<b>Total revenues</b>	<u>4,535,374</u>	<u>2,831,965</u>	<u>3,705,491</u>	<u>873,526</u>
<b>Expenditures</b>				
Current:				
Instruction	4,193,128	2,551,738	3,419,259	(867,521)
Instructional staff	49,683	24,538	31,204	(6,666)
District administration	-	(525)	-	(525)
School administration	90,000	90,000	90,000	-
Student transportation	17,257	8,103	6,916	1,187
Community service	215,306	206,922	206,922	(0)
<b>Total expenditures</b>	<u>4,565,374</u>	<u>2,880,775</u>	<u>3,754,301</u>	<u>(873,526)</u>
Deficit of revenues under expenditures	<u>(30,000)</u>	<u>(48,810)</u>	<u>(48,810)</u>	<u>0</u>
<b>Other financing sources</b>				
Operating transfers in	30,000	48,810	48,810	0
Total other financing sources	<u>30,000</u>	<u>48,810</u>	<u>48,810</u>	<u>0</u>
<b>Net change in fund balance</b>	<u>0</u>	<u>0</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance as of June 30, 2012</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

## **CORBIN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

#### **BUDGET AND ACTUAL - GENERAL FUND**

**Year ended June 30, 2012**

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Because of the nature of certain transactions allocated to the general fund, specific revenue, expenditures, and other financing sources and uses were not budgeted in the General Fund by the District during the year ending June 30, 2012. A schedule of non-budgeted transactions is presented below.

#### **Non-budgeted revenues**

Intergovernmental state revenue - on-behalf payments	<u>\$ 3,371,610</u>
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#### **Non- budgeted expenditures**

##### **On-behalf expenditures**

Instruction	\$ 2,152,770
Student	61,971
Instructional staff support	56,475
District administration	125,042
School administration	231,949
Business support services	172,920
Plant operations and maintenance	415,758
Student transportation	<u>154,726</u>

<b>Total non-budgeted on-behalf expenditures</b>	<u><b>\$ 3,371,610</b></u>
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**CORBIN INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS****Year ended June 30, 2012**

	<u>SEEK Capital Outlay Fund</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 117,240</u>	<u>\$ 86,482</u>	<u>\$ -</u>	<u>\$ 203,722</u>
<b>Total assets</b>	<u>117,240</u>	<u>86,482</u>	<u>-</u>	<u>203,722</u>
<b>FUND BALANCES</b>				
Fund Balances:				
Restricted	117,240	86,482	-	203,722
Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<u>\$ 117,240</u>	<u>\$ 86,482</u>	<u>\$ -</u>	<u>\$ 203,722</u>

The accompanying notes are an integral part of these financial statements

## CORBIN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2012

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ -	\$ 788,730	\$ -	\$ 788,730
Earnings on investments	-	-	-	-
Intergovernmental - State	252,457	1,183,458	227,933	1,663,848
Intergovernmental - Federal	-	-	266,704	266,704
Total revenues	<u>252,457</u>	<u>1,972,188</u>	<u>494,637</u>	<u>2,719,282</u>
<b>Expenditures</b>				
Debt service	-	-	2,636,800	2,636,800
Total expenditures	<u>-</u>	<u>-</u>	<u>2,636,800</u>	<u>2,636,800</u>
<b>Other financing sources (uses)</b>				
Bond principal proceeds	-	-	396,000	396,000
Transfers in	-	-	1,746,164	1,746,164
Transfers out	(135,217)	(1,885,706)	-	(2,020,923)
Total other financing sources (uses)	<u>(135,217)</u>	<u>(1,885,706)</u>	<u>2,142,164</u>	<u>121,241</u>
<b>Net change in fund balance</b>	117,240	86,482	-	203,722
Fund balance as of June 30, 2011	-	-	48,125	48,125
Prior period adjustment	-	-	(48,125)	(48,125)
<b>Fund balance as of June 30, 2012</b>	<u>\$ 117,240</u>	<u>\$ 86,482</u>	<u>\$ -</u>	<u>\$ 203,722</u>

The accompanying notes are an integral part of these financial statements



# CORBIN INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES - ELEMENTARY, MIDDLE, AND TRUST FUNDS Year ended June 30, 2012

School/ Activity Fund	Cash and Cash Equivalents June 30, 2011	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Corbin Middle School	\$ 32,165	\$ 205,005	\$ 207,955	\$ 29,215	\$ 68	\$ 2,041	\$ 27,242
Corbin Intermediate School	26,808	81,741	82,925	25,624	19	-	25,643
Corbin Elementary School	38,103	77,627	79,441	36,289	28	-	36,317
Corbin Primary School	42,086	91,414	100,760	32,739	18	50	32,708
Corbin Education Center	2,647	759	1,451	1,955	-	-	1,955
Totals	\$ 141,809	\$ 456,545	\$ 472,533	\$ 125,822	\$ 134	\$ 2,091	\$ 123,865

The accompanying notes are an integral part of these financial statements

CORBIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -  
CORBIN INDEPENDENT HIGH SCHOOL ACTIVITY FUND  
Year ended June 30, 2012

	Fund Balances June 30, 2011	Receipts	Disbursements	Transfers in	Transfers Out	Cash and Cash Equivalents June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
General Fund	\$ 298	\$ 8,390	\$ 7,907	\$ -	\$ 394	\$ 387	\$ 1,665	\$ -	\$ 2,052
Academic Boosters	689	1,446	2,777	642	-	-	-	-	-
Academic Team	-	722	2,886	2,164	-	-	-	-	-
Annual	2,763	8,086	10,696	-	-	154	-	-	154
Art Class	31	-	-	-	-	31	-	-	31
Art Club	818	306	238	-	-	886	-	-	886
Athletics	21,967	95,011	97,812	-	6,425	12,741	-	-	12,741
Band	-	-	250	250	-	-	-	-	-
Baseball Field	55	250	564	1,175	-	916	-	-	916
Beta Club	625	2,303	2,911	-	-	17	-	-	17
Book Rental	-	14,080	14,240	160	-	-	-	-	-
Bowling - Boys	-	-	-	250	-	250	-	-	250
Bowling -Girls	-	-	-	250	-	250	-	-	250
Boys Camp	278	10,627	10,072	-	-	833	-	-	833
Boys Golf	-	150	-	-	-	150	-	-	150
Choir	-	3,198	2,799	-	-	399	-	-	399
Cross Country	55	1,914	2,850	1,000	-	119	-	-	119
Dance Team	190	18,045	17,841	-	-	393	-	-	393
Jimmy Durham	-	30	261	300	-	69	-	-	69
Equipment Room	485	1,909	1,231	-	116	1,047	37	-	1,085
FACS	961	190	800	-	-	351	-	-	351
FBLA	32	135	132	-	-	35	-	-	35
FCCLA	334	1,819	2,080	-	-	73	-	-	73
Field Trip	-	2,988	3,290	302	-	0	-	-	0
Football Camp	606	4,650	4,776	-	-	481	-	-	481
Fundraiser	-	180	-	-	180	-	-	-	-
Girls Camp	136	12,074	8,898	-	-	3,312	-	-	3,312
Girls Golf	52	660	2,660	3,000	-	1,052	-	-	1,052
Guidance	-	-	-	-	-	-	-	-	-
Junior Class	-	7,990	7,410	-	580	-	-	-	-
Cheerleaders	2,039	12,767	14,752	-	-	53	-	-	53
Key Club	-	2,668	2,235	-	300	133	-	-	133
Library	229	272	10	-	491	-	-	-	-
Lost/Damaged	-	72	-	-	72	-	-	-	-
National Honor Society	68	638	895	400	-	211	-	-	211
Odyssey of the Mind	-	6,200	5,408	-	792	-	-	-	-
Pep Club	110	190	308	100	-	92	-	-	92
Practice Field	-	-	116	116	-	-	-	-	-

The accompanying notes are an integral part of these financial statements

(continued)

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -  
CORBIN INDEPENDENT HIGH SCHOOL ACTIVITY FUND (CONTINUED)  
Year ended June 30, 2012**

	Fund Balances June 30, 2011	Receipts	Disbursements	Transfers in	Transfers Out	Cash and Cash Equivalents June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
ROTC	\$ 3,054	\$ 8,110	\$ 9,979	\$ -	\$ -	\$ 1,185	\$ -	\$ -	1,185
Science Class	203	2,347	2,682	132	-	0	-	-	0
Senior Class	-	1,394	1,230	-	165	-	-	-	-
Senior Science	275	32,912	30,648	-	200	2,339	-	-	2,339
Softball	1,900	20,925	23,371	750	-	204	-	-	204
Spanish Club	-	854	1,029	500	-	325	-	-	325
Speech Club	-	-	515	515	-	-	-	-	-
Student Council	149	868	725	-	-	292	-	-	292
Teachers Lounge	-	2,837	3,405	700	-	132	60	-	191
Threadhounds	466	54	40	-	-	480	-	-	480
Thespian Society	2,934	35,472	34,938	-	3,468	-	-	-	-
Travel	-	6,268	6,268	-	-	-	-	-	-
Tennis - Boys	217	3,441	3,227	-	-	431	-	-	431
Tennis - Girls	34	5,992	5,254	-	-	772	-	-	772
Track - Boys	75	5,495	3,589	-	-	1,981	-	-	1,981
Track - Girls	91	1,150	694	-	-	547	-	-	547
Volleyball	319	6,048	5,069	-	-	1,299	-	-	1,299
Y-Club	-	11,012	11,258	246	-	0	-	-	0
YSC	360	1,901	2,446	233	-	48	-	-	48
<b>Total accounts</b>	<b>\$ 42,899</b>	<b>\$ 367,038</b>	<b>\$ 375,466</b>	<b>\$ 13,184</b>	<b>\$ 13,184</b>	<b>\$ 34,471</b>	<b>\$ 1,762</b>	<b>\$ -</b>	<b>\$ 36,233</b>

The accompanying notes are an integral part of these financial statements

## CORBIN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education:				
<b>Child and Adult Care Food Program</b>	10.558			
Fiscal Year 11		7790021-11	N/A	\$ 1,657
Fiscal Year 12		7790021-12		6,693
				<u>8,350</u>
<b>School Breakfast Program</b>	10.553			
Fiscal Year 11		7760005-11	N/A	46,469
Fiscal Year 12		7760005-12		166,032
<b>National School Lunch Program</b>	10.555			
Fiscal Year 11		7750002-11	N/A	120,055
Fiscal Year 12		7750002-12		432,002
Passed Through State Department of Agriculture:				
<b>Food Donation</b>	10.555			
Fiscal Year 12		N/A	N/A	24,947
Child Nutrition Cluster Subtotal				<u>789,505</u>
Total US Department of Agriculture				<u>797,855</u>
U.S. Department of Commerce				
Passed Through Eastern Kentucky Pride Program				
<b>Pride Environmental Education</b>	11.469			
Fiscal Year 12		N/A	5,600	6,655
Total U.S. Department of Commerce				<u>6,655</u>
US Department of Education				
Passed Through State Department of Education				
<b>Title I Grants to Local Educational Agencies</b>	84.010			
Fiscal Year 11		3100002-11	562,117	19,518
Fiscal Year 12		3100002-12	679,045	640,923
Title I Cluster Subtotal				<u>660,441</u>
<b>Title I Program for Neglected and Delinquent Children</b>	84.013			
Fiscal Year 12		3131	1,760	1,760
				<u>1,760</u>
<b>Improving Literacy Through School Libraries</b>	84.364A			
Fiscal Year 11		3221	199,149	71,926
				<u>71,926</u>
<b>Even Start-State Education Agencies</b>	84.213			
Fiscal Year 11		3160002-11	183,370	77,037
				<u>77,037</u>
* <b>Special Education Grants to States</b>	84.027			
Fiscal Year 11		3810002-11	500,225	300,702
Fiscal Year 12		3810002-12	502,637	181,570
* <b>Special Education-Preschool Grants</b>	84.173			
Fiscal Year 11		3800002-11	13,608	3,188
Fiscal Year 12		3800002-12	13,329	7,984
Special Education Cluster Subtotal				<u>493,444</u>
<b>Vocation Education-Basic Grants to States</b>	84.048			
Fiscal Year 10A		4621132-10	343	343
Fiscal Year 11A		4621132-11	756	756
Fiscal Year 12		4621132-12	16,059	16,059
Fiscal Year 12S		4621132-12	580	580
				<u>17,738</u>
<b>Rural Education</b>	84.358			
Fiscal Year 11		3140002-11	73,199	9,604
Fiscal Year 12		3140002-12	58,134	58,134
				<u>67,738</u>
<b>Tech-Prep Education</b>	84.243			
Fiscal Year 12		4631180-12	74,806	69,485
				<u>69,485</u>
<b>Improving Teacher Quality State Grants</b>	84.367			
Fiscal Year 11		3230002-11	140,831	17,372
Fiscal Year 12		3230002-12	127,044	112,444
				<u>129,816</u>

The accompanying notes are an integral part of these financial statements

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\* denotes major program

## CORBIN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
* <b>Education Jobs Fund</b>	84.410			
Fiscal Year 11		4411	620,152	620,152
				620,152
* <b>21st Century Community Learning</b>	84.287			
Fiscal Year 10		3400002-10	349,500	182,145
Fiscal Year 11		3400002-11	257,500	166,277
Fiscal Year 12		3400002-12	15,000	9,261
				357,682
Total US Department of Education				2,567,220
US Department of Labor				
Passed through State Department of Education				
<b>WIA Jobs for America's Graduates</b>	17.259			
Fiscal Year 12		271SR10-12	25,400	25,400
				25,400
Total US Department of Labor				25,400
US Department of Defense				
<b>Junior Reserve Officers' Training Corps</b>	12.000			
Fiscal Year 11		5041	61,125	1,988
Fiscal Year 12		5042	53,000	53,134
				55,121
Total US Department of Defense				55,121
US Department of Health and Human Services				
<b>Drug-Free Communities Support Program Grants</b>	93.276			
Fiscal Year 11		5001	125,000	26,776
Fiscal Year 12		5002	125,000	117,280
				144,057
Total US Department of Health and Human Services				144,057
Appalachian Regional Commission				
<b>Appalachian Research, Technical Assistance, and Demonstration Projects</b>	23.011			
Fiscal Year 10		6840P	5,000	5,000
				5,000
Total Appalachian Regional Commission				5,000
<b>Total Expenditure of Federal Awards</b>				\$ 3,601,308
* Major Programs				

The accompanying notes are an integral part of these financial statements

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\* denotes major program

## CORBIN INDEPENDENT SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year ended June 30, 2012

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#### 1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corbin Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District-wide financial statements.

#### 2. In-kind commodities

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are not included under the Child Nutrition Cluster. Total value of commodities received by the District was \$24,947.

#### 3. Cluster Programs

The following CFDA numbers are considered cluster programs:

##### Special Education Cluster

Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173

##### Child Nutrition Cluster

National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Services for Children	10.559

##### Title I, Part A Cluster

Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

##### Education Technology State Grants Cluster

Education Technology State Grants	84.318X
Education Technology State Grants, Recovery Act	84.386A

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Corbin Independent School District  
Corbin, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Corbin Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School Districts Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*.

**Internal Control Over Financial Reporting**

Management of Corbin Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Corbin Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corbin Independent School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Corbin Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Corbin Independent School District, the Kentucky Department of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

### ***CLOYD & ASSOCIATES, PSC***

Cloyd & Associates, PSC  
Corbin, Kentucky  
September 30, 2012



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Corbin Independent School District  
Corbin, Kentucky

Compliance

We have audited Corbin Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Corbin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Corbin Independent School District's management. Our responsibility is to express an opinion on Corbin Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corbin Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Corbin Independent School District's compliance with those requirements.

In our opinion, Corbin Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

Management of Corbin Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Corbin Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corbin Independent School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Corbin Independent School District, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 30, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Corbin Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular

A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Corbin Independent School District, the Kentucky Department of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***CLOYD & ASSOCIATES, PSC***

Cloyd & Associates, PSC  
Corbin, Kentucky  
September 30, 2012

# CORBIN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS Year ended June 30, 2012

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### Section I – Summary of Auditor Results

#### Financial Statements

Type of auditors' report issued	Unqualified			
Internal control over financial reporting:				
Material weakness identified	_____ Yes	<u>✓</u>		No
Significant deficiencies identified that are not considered to be material weaknesses	_____ Yes	<u>✓</u>		No
Noncompliance material to financial statement notes	_____ Yes	<u>✓</u>		No

#### Federal Awards

Internal control over major programs:				
Material weaknesses identified	_____ Yes	<u>✓</u>		No
Significant deficiencies identified that are not considered to be material weaknesses	_____ Yes	<u>✓</u>		None reported
Type of auditors' report issued on compliance for major programs		Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	<u>✓</u>		No

#### Identification of major programs:

##### CFDA Number

##### Name of Federal Program or Cluster

##### Special Education Cluster

84.027

Special Education Grants to States

84.173

Special Education – Preschool Grants

84.287

21<sup>st</sup> Century Community Learning

84.410

Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B program

\$ 300,000

Auditee qualified as low risk

✓ Yes \_\_\_\_\_ No

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS – CONTINUED**  
**Year ended June 30, 2012**

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**CORBIN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Year ended June 30, 2012**

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There were no prior year audit findings.

Members of the Board of Education  
Corbin Independent School District  
Corbin, Kentucky

In planning and performing our audit of the basic financial statements of Corbin Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of no matters that are required to be noted and there were no prior year issues to be corrected.

Respectfully,

***CLOYD & ASSOCIATES, PSC***

Cloyd & Associates, PSC  
Corbin, Kentucky  
September 30, 2012